



Counseling Academic &
Professional Honor Society International

Chi Sigma Iota

TAX STATUS OF CHAPTERS WITHIN CHI SIGMA IOTA COUNSELING ACADEMIC & PROFESSIONAL HONOR SOCIETY INTERNATIONAL

The relationship of Chi Sigma Iota (CSI) to its chapters is largely a contractual one; new chapters petition CSI Headquarters, in effect, for a “franchise”— a license to use CSI’s name, regalia and other intellectual property and permission to certify to the National Office that the chapter’s members are eligible for membership in CSI (which CSI Headquarters then duly records and accepts). CSI Headquarters does not create the chapters itself as in a “fully integrated” model (think of a department store that puts new locations in various cities) of business organization, with full oversight and daily managerial control of the local affiliate; at its closest, one might even consider it a “parent/subsidiary” relationship, in which the parties are separate legal entities and the parent does not wield absolute control over the subsidiaries; nevertheless, through chapter (and national) governance structures and operating agreements (such as a requirement for bylaws and member qualifications), the parent can guide the general direction of the subsidiary without rigid, centralized control.

The main reason this description of the relationship between CSI and your chapter is important is because there are annual tax consequences that chapters must consider if and when they are in the business of raising money for any purpose (as, we assume, most are- through dues, activities, etc.). CSI International is a tax-exempt 501(c)(3) charitable nonprofit organization by virtue of meeting the qualifications for that status with the Internal Revenue Service. Because CSI Headquarters and CSI chapters are structurally separate business entities, however, CSI National’s tax-exempt “certificate,” as it’s routinely called, *does not extend* to cover any of its chapters. Chapters are attached to specific colleges or universities in specific geographic locations, and as such, may (but usually are not) be covered by a tax exemption certificate at their home institution; it is a good idea for chapter advisors to contact their Student Organizations office or representative to determine whether this situation applies to them.

If a chapter does not have tax-exempt status at its host institution as an official student organization, Chapter Faculty Advisors should be aware of the potential tax liability their chapters may incur. This could be particularly problematic for chapters with larger membership bases and/or treasuries, or chapters at for-profit and/or private institutions of higher education. While the IRS has not tended to make a crusade out of pursuing smaller and (usually) more shallow-pocketed student organizations at colleges and universities, the potential is there for them to do so, and the deeper the chapter’s pockets and/or more lavish or questionable their spending, the more attention they may attract over time.

Chapter Faculty Advisors may wish to read IRS Publication 557, “Tax Exempt Status for Your Organization,” to learn more about thresholds, filing requirements and status available to their chapters under the tax laws of the United States (international chapters should, of course, refer to their own national tax laws). Remember, too, that state tax exemptions, while often predicated on IRS federal exemption status, may require completion of forms or additional work to comply with requirements of a state Department of Revenue. If necessary, the Chapter Faculty Advisor will want to complete Form 1023, “Application for Recognition of Exemption From Tax” and submit it to the IRS, and then begin filing Form 990 (or variants), “Return of Organization Exempt From Tax,” as required to comply with tax laws. CSI Headquarters can be of more assistance in informing chapters about this process, but cannot give specific tax advice to chapters as a separate business entity.